



DEMOCRATS' RESPONSE TO THE STATE OF THE UNION

- **Democratic Message in Response to the State of the Union**
- **Broad Democratic Talking Points in Response to the State of the Union**
- **“State of the Union Message Should Address The Concerns of All Americans”**
- **Responding to the State of the Union: ECONOMIC SECURITY
(with 5 charts)**
- **Responding to the State of the Union: HOMELAND SECURITY**
- **Responding to the State of the Union: HEALTH CARE (with a side-by-side chart)**
- **Responding to the State of the Union: EDUCATION**
- **President Bush’s Saturday Radio Address, 1/25/03**
- **Preview Talking Points on Gov. Gary Locke’s Democratic Response to the State of the Union**

Democratic Message in Response to State of the Union

- ! As Democrats, our priorities will be the safety and soundness of the American people. We must keep our homeland safe, and our economy sound.**
- ! The war against terrorism remains a major challenge and Democrats salute President Bush for the way he united the country after September 11th and stand with him in the ongoing war against terrorism – against Al Qaeda and other global terrorist networks.**
- ! However, on the issue of the economy, Democrats believe the President has the wrong plan. It won't stimulate the economy and create jobs. Democrats have put forward an effective, fast-acting stimulus plan that will create a million jobs this year and get this economy moving again.**
- ! Democrats also believe that the country remains unacceptably vulnerable to terrorist attack and that we need to put homeland security first – ahead of huge tax cuts focused on the wealthy. For example, we must provide adequate funding so that our First Responders – our police officers and firefighters – get the training and equipment they need.**
- ! Democrats will also fight this year to put education and health care ahead of huge tax cuts. We will fight for investments to ensure a top-quality education for each American child, to provide meaningful prescription drug coverage for all of America's seniors, and to ensure affordable health care for America's working families.**

Broad Democratic Talking Points in Response to State of the Union

- ! **Democrats Are With the President in the War Against Terrorism.** Democrats stand shoulder to shoulder with President Bush in the war against terrorism. Democrats believe that the President deserves enormous credit for the way he united the country after the September 11th attacks and the strong leadership he has shown since on the issue of terrorism. Our enemies must understand that Americans are united in the war against terrorism. A major challenge that continues to face our country are the global terrorist networks, including Al Qaeda, that have declared war on America and Americans.
- ! **Democrats Believe The Number-One Domestic Priority Is Getting the Economy Moving Again.** While he has shown strong leadership in the war against terrorism, President Bush has failed to show similar leadership on the economy. 55% of Americans believe that President Bush isn't paying enough attention to the economy. The economy has lost 1.7 million jobs over the last two years and there are now 8.6 million Americans out of work. The plan unveiled by the President is simply more huge tax breaks for the few that won't stimulate growth and create jobs; the Democratic plan will. Democrats have a plan that will create 1 million jobs this year – by targeting tax cuts to middle-income families that will spend them quickly and giving businesses immediate tax relief to create jobs.
- ! **Rather Than Huge Tax Cuts Targeted to the Few, Putting Homeland Security First.** Unfortunately, over the last 2 years, while the President pursued huge tax cuts for the wealthy few, he failed to adequately fund homeland security. An independent commission recently reported that “America still remains dangerously unprepared to prevent and respond to a catastrophic terrorist attack on U.S. soil.” First responders still lack the equipment and training they need. Our borders, ports, transportation systems, and nuclear facilities remain unacceptably vulnerable. Democrats spent all of 2002 calling for more adequate investments for homeland security, and we remain concerned that important needs are still not being addressed.
- ! **Rather than Huge Tax Cuts Targeted to the Few, Investments in Education and Health Care.** Finally, Democrats are concerned that the President's huge new tax cut (costing almost \$1 trillion when interest costs are included) will squeeze out needed investments in education and health care. Democrats believe that we need to invest in ensuring a top-quality education for each American child and making a college education more affordable; we need to invest in an affordable, meaningful prescription drug benefit for seniors to improve Medicare; and we need to invest in measures that will bring down health care costs and extend coverage to the uninsured.

DEMOCRATS: STATE OF THE UNION MESSAGE SHOULD ADDRESS CONCERNS OF ALL AMERICANS

"Between [this Administration's] rhetoric and the reality is a credibility gap. And it's growing with each new broken promise, each new misleading claim, and each new case of bait and switch."

-- Democratic Leader Tom Daschle [Press Conference, 1/27/03]

As the President prepares to report to the American people on the state of our union, Democratic Leaders Tom Daschle and Nancy Pelosi spoke today at the National Press Club about the critical foreign and domestic policy issues facing America. They urged the President to address the concerns Americans' have about our national security, the state of our economy, the health care needs of our families, and the education of our children.

A RECORD OF BROKEN PROMISES: EXPOSING THE BUSH ADMINISTRATION'S CREDIBILITY GAP

Today, Democratic Leaders Daschle and Pelosi called on President Bush to speak on Tuesday to the concerns of all Americans, not just special interests and the very wealthy. The Democratic Leaders said that on too many issues of critical concern to the American people, this Administration has said one thing – but done another. The Democrats cited numerous examples of the Administration's misleading promises, including:

Promising clarity in foreign policy, but sending confused and conflicting signals to America and the world. The President has not yet made a persuasive case to the American people and the world about the need for war with Iraq. At the same time, our policy toward North Korea is shifting and unclear, and Al Qaeda and terrorists around the world remain dangerous threats to the United States and our allies.

Promising homeland security, but blocking billions in funding for first responders and other homeland security needs. On August 13, 2002, President Bush effectively vetoed \$2.5 billion in homeland security funding which would have provided key resources for firefighters and local law enforcement, improved water and food supply safety, and provided new security at airports and nuclear power plants.

Promising an economic plan that provides relief for middle class families, but delivering rewards to wealthy investors. The President would provide millionaires with an average tax break of \$90,000 per year – double what the average American family makes in a year. Because the President's plan is heavily skewed towards those with the highest incomes, about 50 percent of all Americans would receive less than \$100.

Promising to bring new accountability and responsibility to government, but running up hundreds of billions in deficits. The President's economic 'stimulus' proposal will plunge the Federal government into deficit for the foreseeable future, with an estimated deficit of \$350 billion in 2003.

Promising to promote diversity, but filing a lawsuit to stop a university from achieving it. The Bush Administration's decision to oppose the successful affirmative action program established by the University of Michigan and its law school attacks the foundation of equal opportunity in higher education nationwide.

Promising to be a champion for veterans' issues, but cutting funding for veterans' health services. On January 16, the Administration announced it will suspend enrollment in the VA health system for 164,000 veterans.

Promising to help seniors with high drug costs, but offering a plan to privatize Medicare and blocking tough legislation to lower costs. The President's Medicare plan would coerce seniors to give up their current Medicare coverage and join an HMO in order to obtain drug coverage – forcing seniors to choose between the doctor they trust and the drugs they need. President Bush has also blocked strong bipartisan legislation to increase access to low-cost generic drugs.

Promising to leave no child behind, but refusing to fund its own education programs. The Bush Administration has proposed the weakest education budget in seven years, and refuses to fully fund the No Child Left Behind Act.

Responding to the State of the Union: **ECONOMIC SECURITY**

PRESIDENT BUSH'S RHETORIC: "We'll work to create jobs and renew the strength of our economy."1/6/03

THE REALITY: The President's economic stimulus plan creates only 190,000 jobs this year, provides the top 1% of taxpayers with 40% of tax cuts, and will increase the deficit by more than \$900 million.

Key Facts

- ! Economic Growth is the Weakest in 50 Years.** Since the Bush administration took over, our country has experienced the weakest economic growth in 50 years; since 2001, the average rate of growth in real gross domestic product is 1.5%, with forecasters expecting it to be weak in the 4th quarter.
- ! Record Job Losses.** Over 2 million private sector jobs have been eliminated since President Bush took office and his economic plan was passed – more than in earlier recessions – with a net job loss of 1.7 million. In fact, the Bush Administration is headed for the worst record for job growth in 58 years.
- ! 2 Million More Employees Out of Work.** As such, the unemployment rate has climbed from 3.9 to 6.0% – the highest since 1994 – with a total of 8.6 million people out of work.
- ! Median Household Income is Down and Income Inequality is Up.** The American people are struggling to make ends meet as the economy continues to falter along. Real median household income fell by 2.2 percent in 2001 -- from \$43,162 to \$42,228 -- for the first time since 1991. According to the Federal Reserve, over the last three years, the average income of families in the top 10 percent of earners has grown 26 percent – more than four times the income growth of middle-income families (the middle 40 to 60 percent whose income grew 8 percent).
- ! States Face Huge Deficits and Are Having to Cut Key Programs.** State and local governments are struggling as the faltering economy has caused huge fiscal problems for the states. In fact, states are facing budget deficits in the range of \$60 billion to \$85 billion for state fiscal year 2004, larger than any time in the last half-century, and are being forced to cut health care and education.
- ! Under Bush Administration, Federal Budget Surplus has Evaporated And we will have deficits as far as the eye can see.** The federal budget in just a two-year period went from a

\$236 billion surplus to a \$165 billion deficit - that's a \$400 billion dollar swing - and turned record surpluses into deficits for the decade ahead. The \$5.6 trillion 10-year budget surplus in place before the Bush economic plan has basically evaporated. In fact, in Bush's FY 2004 budget the deficit will be the largest in history, exceeding the \$290 billion deficit under prior President Bush, according to Bush Budget Director Mitch Daniels.

Bush Economic Program

- ! **Bush's "Economic Growth" Plan is No Immediate JumpStart to the Economy.** As millions of people are out of work and the economy continues in a weak and jobless recovery at best, it is important to have a strong and immediate economic program that will put money in the hands of consumers now. However, less than 10% of the Bush package will take effect this year, meaning that most of the any economic impact of the program would not be felt until 2004 and thereafter. In fact, the White House Council of Economic Advisors puts the estimate for job creation for their package at only 190,000 in 2003.
- ! **In fact, the Bush Plan is Skewed to the Wealthy Few.** The centerpiece of the plan – the complete elimination of all taxes on stock dividends – will primarily benefit the wealthy few, instead of putting money in the hands of most hard-working Americans who will pump it back into the economy. The non-partisan Tax Policy Center estimates that 40 percent of the benefits of the Bush proposal will go to the top 1 percent of taxpayers (who have an average income of \$350,000), with less than 17 percent of the tax cuts going to the vast majority of Americans (the 80 percent with adjusted gross income of less than \$75,000). In fact, in 2003 those making over \$1 million will see an average tax break of \$90,000, while the average tax filer will get a tax cut of \$256.
- ! **Experts Agree the Bush plan is not a stimulus.** The Bush proposal puts large tax breaks into the hands of the wealthy few – those who are more likely to save, not spend. And the non-partisan Congressional Research Service and the Congressional Budget Office have concluded that using dividend tax reductions (the centerpiece of the Bush proposal) and targeting tax cuts to the highest earners are unlikely to be very effective as economic stimulus.[CRS, 1/9/03; CBO, 1/02] Even the *Washington Times* editorialized that cutting taxes on dividends "is not a policy action that belongs in a stimulus plan targeted at consumers."
- ! **In fact, the Bush Plan Increases Budget Deficits in the Long-Run, thus Undermining Economic Growth.** Instead of providing immediate stimulus, the Bush plan would worsen the current budget deficits that have ballooned since the Bush Administration took over. The Bush plan would increase the deficit by over \$900 billion over 10 years. Not only does this threaten key investments, like homeland security, education, Medicare and Social Security, this growth in deficits could promote higher interest rates and threaten to worsen the economy, instead of spurring economic growth.
- ! **The Bush Plan Fails to Help the States and Leaves Behind 1 million Unemployed Americans.** Because the Bush plan is focused on tax cuts for the wealthy few, it fails to provide

any relief to states, many of which are having to cut key education and health programs, and makes the state of the states worse by cutting state revenues by an estimated \$4 billion this year (because they are based on federal tax policy. Further, it leaves behind 1 million employees who lost their jobs and exhausted their unemployment benefits last year.

- ! **It is Simply a Replay of Previous Bush Economic Plans.** Last year, the President succeeded in enacting a \$1.35 trillion tax cut that has worsened the deficit and benefits the wealthy few. Then last fall, President Bush and House Republicans used the weakened economy after September 11th as an excuse to try to enact more tax cuts, to pay back their corporate contributors – all at the expense of laid-off workers. Fortunately, Democrats were successful in fighting off these attempts to reward corporate contributors, such as Enron.
- ! **In addition to his “Economic Growth Plan,” Bush is Expected to Call for Making 2001 Tax Cuts Permanent.** It is expected that the President will renew his call to make the 2001 Tax Cuts permanent. (Many of them were written to expire in 2010 in order to mask their true cost .) According to the Center on Budget and Policy Priorities, this would increase the deficit by more than \$650 billion. And like the 2001 tax cuts and the stimulus, this proposal would benefit the wealthy few; it would provide the top 1% of taxpayers with 38 percent of the benefits, more than the amount going to the two-thirds of all families (who have adjusted gross income of less than \$50,000 and would get only 30% of the benefits).
- ! **A majority of Americans Disapprove of the President’s Performance on the Economy.** Given this Record, it is wonder that the majority of Americans disapprove of the President’s performance on the economy. For example, a recent *Washington Post* poll shows that 53 percent of American oppose his handling of the economy, with 61 percent doubting that his economic plan will do much to stimulate the economy (*Wall Street Journal* poll). In fact, more Americans support the Democratic economic stimulus plan over the President’s plan, according to a recent *Wall Street Journal* poll.

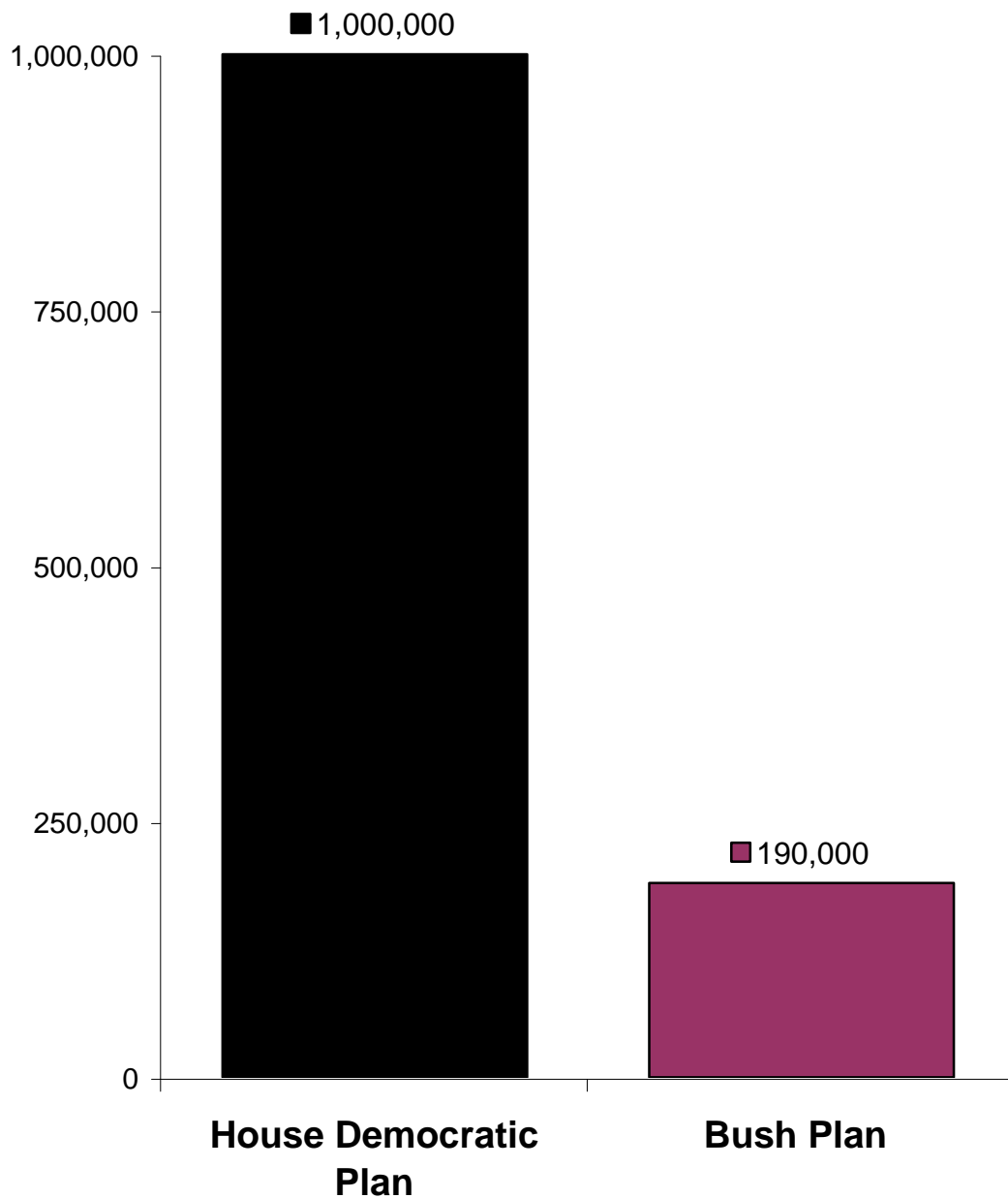
Democratic Position

- ! **House Democrats Have an Immediate Economic Stimulus Plan that will Create 1 Million Jobs This Year.** It will create 1 million new jobs this year, put money and purchasing power in the hands of consumers, and provide relief to three million laid-off workers. The House Democratic plan provides a \$300 tax rebate now for every working taxpayer (\$600 for couples), tax breaks to help small businesses and encourage business investment, and a 26-week extension of unemployment insurance. It also provide money to help the states fiscal crisis for homeland security, transportation, and health-care costs. All totaled, the Democratic plan would create a million new jobs this year alone, without being fiscally irresponsible.
- ! **House Democrats are Also Working on a Long-Term Economic Growth Package.** Also, House Democrats are working to develop a long-term economic growth will address longer-range

measures aimed at investment and simplifying the tax code.

Jobs Created in 2003:

Democratic Plan v. Bush Plan



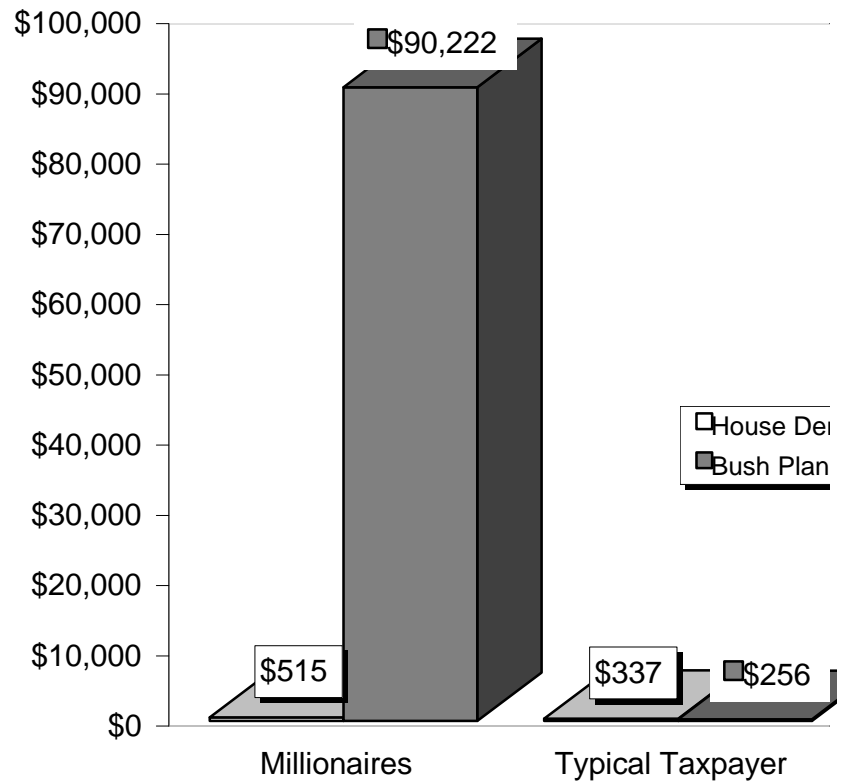
Source: House Budget Committee Democratic Staff and White House Council of Economic Advisors

Average Tax Cut in 2002

| | | | |
|------------------|-------|-------|-----------|
| | House | Dem | Bush Plan |
| Millionaires | | \$515 | \$90,222 |
| Typical Taxpayer | | \$337 | \$256 |

Average Tax Cut 2003

Democratic Plan v. Bush Plan



Source: Tax Policy Center

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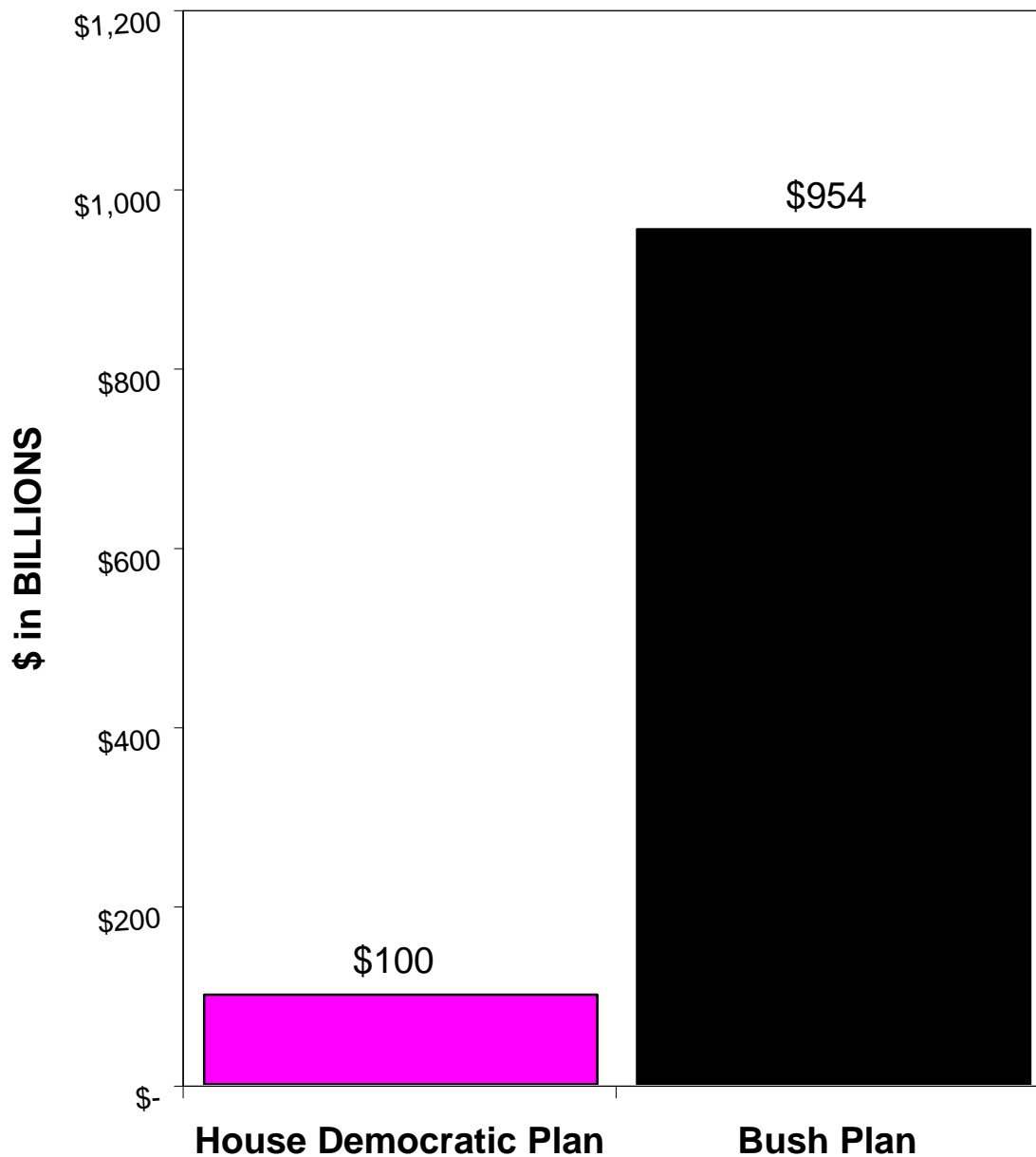
House Democratic Plan
Bush Plan

\$256

payer

10-Year Increase in the Budget Deficit

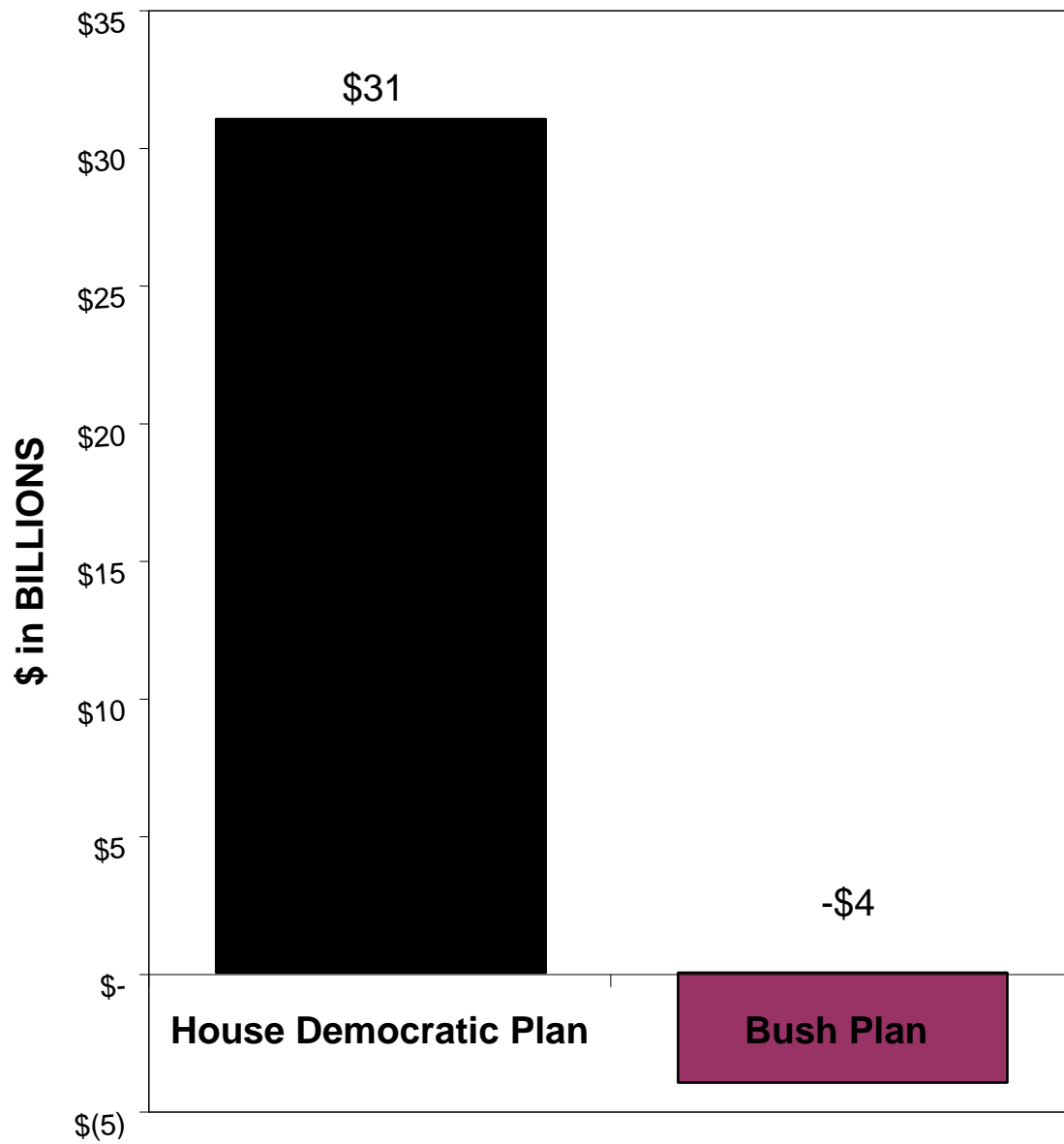
Democratic Plan v. Bush Plan



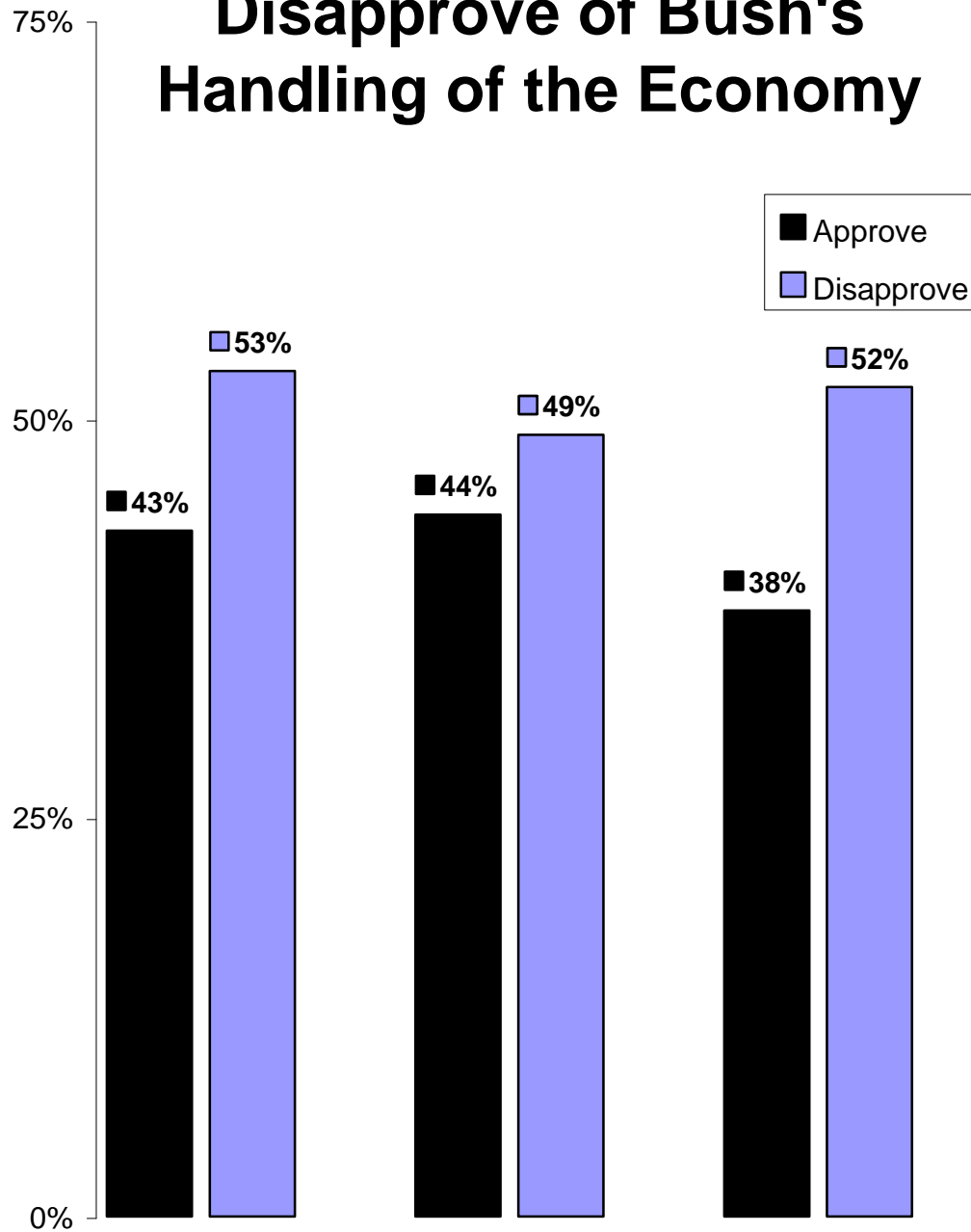
Source: House Budget Committee Democratic Staff

Aid to States:

Democratic Plan v. Bush Plan



Majority of Americans Disapprove of Bush's Handling of the Economy



Source: Washington Post, 1/22/03; Wall Street Journal, 1/23/03; American Research Group, 1/22/03

Responding to the State of the Union:

HOMELAND SECURITY

PRESIDENT BUSH'S RHETORIC: “We must do everything possible to protect our citizens and strengthen our nation against the ongoing threat of another attack.” 1/29/02

THE REALITY: Ever since September 11th, President Bush has consistently failed to request adequate homeland security funding, and has even pocket-vetoed \$2.5 billion in urgently-needed funding.

Key Facts:

- ! Independent Commission Finds That Nation Still Dangerously Unprepared.** On October 25, 2002, an independent commission sponsored by the Council on Foreign Relations issued a report that concludes, “America remains dangerously unprepared to prevent and respond to a catastrophic terrorist attack on U.S. soil.” The report highlights the nation’s continuing, numerous vulnerabilities.
- ! Brookings Finds That Bush Homeland Security Budget Request Fell \$10 Billion Short.** On January 23, 2003, the Brookings Institution issued a new report that concludes that given the nation’s many unaddressed domestic security needs, the homeland security budget this year should have been as much as \$10 billion higher than the \$38 billion that President Bush proposed last February.
- ! Experts State That Too Little Progress Has Been Made on Homeland Security.** As the Washington Post (1/24/03) reported last week, “The Department of Homeland Security that formally opens its doors today inherits responsibility for a federal government effort that has made little progress in addressing some of the most urgent security vulnerabilities facing American society, terrorism and defense specialists said.”
- ! First Responders Can’t Communicate.** The nation’s first responders – local police, fire and emergency medical personnel – still can’t communicate with each other in an emergency because their radios are incompatible.
- ! Nation’s 361 Commercial Seaports Unprepared.** The nation’s 361 commercial seaports are still ill-prepared to deter terrorist attacks. For example, currently, 5.7 million containers come into this country each year, but only 2% of these containers are inspected.
- ! Water Treatment Plants, Energy Distribution Systems, Nuclear Powerplants, Etc. Are Unacceptably Vulnerable.** In addition, such items as water treatment plants, energy distribution systems, and nuclear powerplants remain alarmingly vulnerable to terrorism.

The Bush Record:

- ! In Fall of 2001, Bush Requested Inadequate FY 2002 Homeland Security Funding; Democrats Succeeded in Almost Doubling It.** Throughout the fall of 2001, Congressional Democrats called for key new investments in numerous aspects of homeland security. Democrats were pleased that, through their efforts, homeland security funding in the final FY 2002 Supplemental was increased from the \$4.7 billion requested by the Administration to \$8.3 billion. Democrats succeeded in adding funding for such key priorities as bioterrorism prevent, border and seaport security, airline security, FBI counterterrorism programs, and purchasing equipment to protect postal workers from anthrax exposure.
- ! In February 2002, the FY 2003 Bush Budget Request for Homeland Security Was Once Again Inadequate.** In the FY 2003 budget that President Bush submitted to Congress in February 2002, he requested \$38 billion for homeland security – which was a \$10 billion increase (or 36%) over the FY 2002 funding level of \$28 billion. (The claim that the Bush White House continually made last year that the President was doubling homeland security funding in FY 2003 is simply inaccurate.) Given the fact that the September 11th terrorist attacks created enormous new responsibilities for the federal government that had never been undertaken before, the \$10 billion increase in the FY 2003 was hardly remarkable. Indeed, experts at the time and as recently as last week have stated that the \$38 billion was clearly inadequate given all of the serious vulnerabilities that are still to be addressed.
- ! Also, In February 2002, the FY 2003 Bush Budget’s Plan for First Responder Funding Amounted to Double-Entry Bookkeeping, With No Net Increase for States and Local Governments.** In addition, President Bush has spent the last year doing photo opportunities with police officers and firefighters, trumpeting the \$3.5 billion included in his FY 2003 budget for first responder grants. However, as CQ has pointed out, a closer examination of his budget shows that what he gives with one hand he takes away with the other. As Congressional Quarterly (1/2/03) has pointed out, “[The \$3.5 billion in funding for first responders] that the President promised turns out to be just the latest example of an age-old Washington game of robbing Peter to pay Paul and calling the haul ‘new funding.’ The fact is, according to the Administration’s own budget documents, the Bush plan for funding first responders amounts to double-entry bookkeeping: changes in the ledger that would result in no net increase in the amount of federal funding flowing to cities, counties, and states. ... [While creating a first responder grant, the Bush budget] would obliterate three programs that help states and cities hire new police officers, build prisons, operate drug treatment programs and buy new crime-fighting technology.”
- ! In August 2002, Bush Pocket Vetoed A \$2.5 Billion Bipartisan Homeland Security Package.** On August 13, 2002, President Bush announced that he had pocket vetoed a \$2.5 billion bipartisan homeland security package for emergency first responder grants, port security, cockpit doors, border patrol, customs information systems, chemical weapons safety and other security shortfalls. This package had come out of the Congress with bipartisan support, and yet the President vetoed it anyway.

- ! **In December 2002, Bush's Justice Department Temporarily Suspended Awarding First Responder Grants.** As the Los Angeles Times (12/4/02) reported in December, "Although President Bush has repeatedly promised to boost federal aid to firefighters and other emergency workers, the Justice Department this week temporarily suspended awarding grants to aid these first responders to terrorist attacks." As Democrats have pointed out, the Justice Department could have used funding provided in the Continuing Resolution to continue awarding these critically-important first responder grants – but the department refused.

- ! **In January 2003, At The Insistence of the Bush White House, Senate GOP Slashed \$9.8 Billion from Bipartisan Omnibus Appropriations Bill, Including \$1 Billion for Homeland Security.** In July 2002, the Senate Appropriations Committee – on a bipartisan basis – reported out of committee all 11 domestic appropriations bills. Due to a spending impasse between the committee (including committee Republicans) and the White House, the bills weren't brought to the Floor. This year, the bills were rolled into an Omnibus Appropriations bill. However, before Sen. Stevens, Chairman of the Appropriations Committee, brought the omnibus bill to the Floor, at the insistence of the Bush White House, he slashed the bipartisan bill by \$9.8 billion – including making \$1 billion in cuts in homeland security funding.

- ! **On January 16, 2003, At The Insistence of the Bush White House, Senate Republicans Voted NO on \$5 Billion in Needed Homeland Security Funding.** On January 16, 2003, Sen. Byrd offered an amendment to the Omnibus Appropriations bill that would have provided \$5 billion in critically-needed homeland security funding – including the \$2.5 billion which had been passed by the Congress on a bipartisan basis in the summer but which had been pocket vetoed by the President; the \$1 billion which Sen. Stevens had stripped from the bipartisan omnibus bill before bringing it to the Floor; and \$1.5 billion to help implement the Border Security Act, the Aviation Security Act, and the Port and Maritime Security Act – all of which the President had signed with great fanfare but had failed to fully fund. At the insistence of the White House, the Senate Republicans defeated the Byrd amendment by a vote of 45 to 51 (with 50 GOP Senators voting NO).

Democrats' Position:

- ! **Democrats Are Calling for Putting Homeland Security First.** Democrats believe that the country remains unacceptably vulnerable to terrorist attack and that we need to put homeland security first – ahead of huge tax cuts focused on the wealthy. In particular, Democrats believe that the federal government must do much more to help prepare our first responders – our police officers, firefighters, and emergency medical personnel – ensuring that they have the training and equipment they need. State and local governments urgently need assistance in carrying out their Homeland Security responsibilities. That is why the House Democratic economic stimulus proposal includes, as part of its \$31 billion in fiscal relief to states and localities, \$10 billion in federal homeland security grants. These grants can be used for such things as equipping first responders and strengthening security at airports, seaports, rail tunnels, terminals, transit facilities, and other targets vulnerable to terrorists.

Responding to the State of the Union:

HEALTH CARE

Modernizing Medicare with A Prescription Drug Benefit

PRESIDENT BUSH'S RHETORIC: "Another priority [of mine] will be to have a Medicare system of which we can be proud, a Medicare system that will include prescription drugs for all seniors." 11/04/00

REALITY: President Bush put forward "principles" in 2001 and 2002 that would privatize Medicare and spent the 107th Congress blocking a meaningful, affordable Medicare prescription drug benefit for all seniors. Now, in 2003, he is reportedly proposing to force seniors out of traditional Medicare and into private health plans, using a meager prescription drug benefit as a bribe!

Key Facts:

- !** **Almost 40% of Medicare Beneficiaries Have No Prescription Drug Coverage.** According to the latest data, 38% of Medicare beneficiaries currently have no prescription drug coverage. In addition, many seniors who have coverage today have very limited coverage or coverage that only lasts part of the year. Also, more than half of those Medicare beneficiaries with no prescription drug coverage are middle-income – meaning prescription drug coverage limited to low-income seniors would fail to address the problem.
- !** **Whether or Not A Medicare Beneficiary Has Prescription Drug Coverage Affects Access to Drugs.** Medicare beneficiaries without drug coverage fill 50% fewer prescriptions and face out-of-pocket costs that are 40% higher.
- !** **Prescription Drug Costs Are Skyrocketing.** Prescription drug costs are skyrocketing at a rate of 13% annually – placing an enormous strain on seniors' household budgets.

The Bush Record & Current Proposal:

- !** **Bush Spent 2001 and 2002 Blocking A Meaningful, Affordable Medicare Prescription Drug Benefit for All Seniors.** Democrats have been pushing for an affordable, meaningful Medicare prescription drug benefit available for all seniors since 1998 – but President Bush spent 2001 and 2002 blocking this Democratic initiative and favoring "principles" that would privatize Medicare.
- !** **Bush Likely to Propose Requiring Seniors to Drop Out of Traditional Medicare and Join**

an HMO in Order to Receive A Drug Benefit! According to news reports, Bush is likely to propose a radical overhaul of Medicare, which would require seniors to drop out of traditional Medicare and join a private managed care plan in order to receive a prescription drug benefit. According to the Washington Post (1/24/03), *“The Bush Administration is finalizing a proposal that would fundamentally redefine Medicare, creating a prescription drug benefit and offering it to patients who are willing to join a new version of the program that relies on managed care, sources said yesterday.”* As the plan was being phased in, there would be an interim drug plan for low-income seniors.

- ! Likely Bush Proposal Would Privatize Medicare – In Effect Throwing All Seniors into Private HMOs.** The likely Bush proposal would achieve a long-sought GOP goal: the privatization of Medicare by coercing seniors into private plans – since traditional Medicare would no longer be a viable option for seniors, providing no access to drug coverage. Republicans forget that Medicare was created in the first place precisely because the private sector would not provide affordable coverage to seniors. Privatization didn’t work for seniors then, and it won’t now.
- ! Furthermore, Likely Bush Proposal Would Only Devote Inadequate Resources to Prescription Drug Coverage and Medicare “Reform.”** According to preliminary reports, President Bush, in his budget, is only willing to devote \$350 billion to Medicare “reform” and prescription drug coverage. Even if this were all spent on drugs, which it isn’t clear it is, \$350 billion will only cover 20% of seniors’ anticipated prescription drug spending over the next ten years – a paltry sum.
- ! Under Likely Bush Proposal, Prescription Drug Benefits Would Vary Widely.** The likely Bush proposal would force seniors to join a private managed care plan to get a drug benefit – and there would be no guaranteed benefit (only a suggested “standard” benefit). Under this private approach, the coverage, premiums, deductibles, and copayments would vary widely every year, plan by plan and county by county.
- ! Under Likely Bush Proposal, There Would Be No Guaranteed Access to Drugs Prescribed by Doctor.** Under a plan that places prescription drug benefits under the control of private insurance companies, HMOs and other private plans will be able to create strict formularies that limit seniors’ access to prescribed drugs – thereby denying seniors the guarantee that they can have access to the drugs that have been prescribed by their doctor.
- ! Under Likely Bush Proposal, There Would Be No Guaranteed Access to The Local Pharmacy.** Similarly, under a plan that places prescription drug benefits under the control of private insurance companies, private plans will be able to establish restrictive networks that would deprive seniors of access to their local pharmacies.
- ! Under Likely Bush Proposal, There Would Be A Large Gap in Coverage.** According to the New York Times (1/24/03), under the likely Bush proposal, the suggested “standard” drug benefit would have a large gap in coverage – during which beneficiaries would pay premiums but get no coverage. Under the suggested “standard” benefit, seniors would pay a \$275 deductible; then seniors would pay half the costs up to \$3,050; after \$3,050 in drug costs, seniors would have

no assistance with drug costs until they spend \$5,500 out of pocket. This means that millions of seniors would actually have to spend an additional \$3838 and be left with no drug coverage for part of the year.

Democrats' Position:

- ! Democrats Are Calling for an Affordable, Meaningful Medicare Prescription Drug Benefit, Available to All Seniors.** Over the last six years, Democrats have been fighting to enact a comprehensive Medicare prescription drug benefit that is affordable and dependable for all beneficiaries, with no gaps or gimmicks in coverage. Under the Democratic proposal, seniors would be able to keep making the choices that matter. Seniors wouldn't have to join an HMO to get drug coverage. Nor would they be forced to join a private insurance plan that will restrict access to needed drugs, deny coverage for the medicine their doctor prescribes, or force them to change pharmacies.

Medicare Prescription Drug Benefit: President Bush v. Democratic Proposals

| Plan Element | President's 2003 Proposal (Based on Public Reports as of 1/27/03) | House Democratic Bill (107 th Congress) |
|---|---|---|
| Guaranteed Minimum Benefit for All Beneficiaries | <u>NO</u> Beneficiaries must obtain coverage through private insurers, who may not participate and can offer vastly different benefits and premiums. | <u>YES</u> Medicare covers prescription drugs like other Medicare benefits, with guaranteed benefits, premiums, and cost sharing for all beneficiaries who wish to participate. |
| Guaranteed Fair Drug Prices | <u>NO</u> Private insurers negotiate separately on behalf of subsets of the Medicare population, diminishing the program's group negotiating power. | <u>YES</u> The Secretary of HHS uses the collective bargaining clout of all 40 million Medicare beneficiaries to negotiate fair drug prices. These reduced prices will be passed on to beneficiaries. |
| Premium | Not specified. Last year, CBO estimated similar House GOP proposal at \$34/month \$408/year¹ | Specified in statute. \$25/month \$300/year |
| Deductible | \$275/year¹ | \$100/year |
| Co-insurance | 50% for first \$3,050 100% for all remaining spending up to the "out-of-pocket" maximum ¹ | 20% |
| Out-of-Pocket Maximum | N/A. Beneficiaries <u>must pay 10% coinsurance</u> even after they spend \$5,500/year ¹ | Beneficiaries <u>pay nothing</u> after they spend \$2,000/year |
| Coverage Gaps | <u>YES</u> Beneficiaries who need more than \$3,050 worth of drugs must pay 100% out-of-pocket (and keep paying premiums) until they spend \$5,500 out-of-pocket -- a gap of \$3,837.50/year. | <u>NO</u> Beneficiaries always have coverage, with no gaps. |
| Access to Local Pharmacies | <u>LIMITED</u> Private insurers have incentives to limit which pharmacies participate in their network. | <u>BROAD</u> Any willing pharmacy must be included in the network. |
| Access to Prescribed Medicines | <u>LIMITED</u> Private insurers have incentives to establish strict formularies and deny any coverage for off-formulary drugs. | <u>BROAD</u> Beneficiaries have coverage for any drug their doctor prescribes. |
| Low-Income Protections | <u>WEAK</u> Based on prior GOP proposals, no protections for up to 40% of low-income beneficiaries due to imposition of so-called "assets test." | <u>STRONG</u> No cost sharing or premiums up to 150% of poverty; sliding scale premiums between 150% and 175% of poverty. Assets test is waived. |

¹ Cost sharing amounts shown are benchmarks only. Actual cost sharing amounts will vary depending on the private plan the beneficiary chooses (assuming one is available).

Responding to the State of the Union:

EDUCATION

PRESIDENT BUSH'S RHETORIC: *"And so the new role of the Federal Government is to set high standards, provide resources, hold people accountable, and liberate school districts to meet the standards. ... We're going to spend more on our schools and we are going to spend it wisely."*[Remarks on Signing the No Child Left Behind Act of 2001, 1/8/02]

THE REALITY: *The FY 2003 Bush budget has shortchanged America's future, providing \$90 million less than last year, and \$7 billion less than the No Child Left Behind act promised – leaving 6 million needy children behind. If our schools and children are to be held accountable, they must have the resources needed to succeed.*

Key Facts:

- ! **There are a Record Number of Children in School.** There are more than 47 million children in public school this year, and that number is projected continue to climb reaching record levels in 2005.
- ! **More Qualified Teachers are Needed in the Classroom.** At the same time there is a growing number of kids in school, it is expected that more than 2 million teachers will retire. We also know that smaller class sizes, especially in the early grades, increase student educational achievement and improve discipline in the classroom. On top of that, our teachers need more tools and training to ensure that our children are getting a top-quality education. For example, about 27% of the new teachers lack one or more of the education requirements needed to become fully licensed to teach, and almost one-quarter of secondary school students take at least one class with a teacher who did not even minor in the subject he or she teaches.
- ! **More Kids than Ever are in Need of After-School Care.** The need for after-school care is great. The Census Bureau estimates that 7 million children between the ages of five and 14 have no parent at home when their school day is over. Unfortunately, states are meeting only 20-30% of the need for after-school activities for children.
- ! **Cost of College is Soaring.** Middle-income families are hard pressed to keep up with rising college costs. In 2002, tuition at public colleges and universities increased by nearly 10%, the largest increase in a decade, and this is likely to worsen with the crisis in state budgets. This comes on top of the 38% increase in the cost of college tuition over the last decade. At the same time, college grants make up a smaller percentage of student aid – leaving students with large debts upon graduating from college.

The Bush Record:

- ! **Last Year Congress Passed the Bipartisan No Child Left Behind Act**, which set tough new standards for schools to raise academic performance, while providing increased federal resources to help local schools and kids to meet these standards.
- ! **Bush's Budget Leaves Many Children Behind.** Rather than fulfilling the promise of the No Child Left Behind Act, the President's FY 2003 budget cuts education initiatives in the Act by a net total of \$90 million from last year, and provides \$7 billion less than what was promised the Act – actually leaving 6 million needy children behind. The President's budget in effect cuts 50,000 children from after-school programs, eliminates high-quality training for 18,000 teachers, hire no new teachers, and does nothing to address the \$127 billion crisis in school repairs.
- ! **Bush's FY 2004 Budget still Shortchanges Disadvantaged Students (Title I).** The President will talk about increased funding for Title I, but press reports indicate that the new 2004 budget will continue to shortchange these disadvantaged students that need math and reading assistance. Specifically, his FY 2004 budget expected to fall more than \$6 billion short of the amount authorized for Title I in the No Child Left Behind Act -- leaving behind over half of the eligible children.
- ! **Bush Cuts Scholarship and Grant Aid As College Costs Rise and Students Need Help Accessing Affordable Education.** The Bush FY 2003 budget proposed to leave 375,000 college students behind, cutting student financial assistance programs \$1.4 billion below the amount needed just to accommodate higher education inflation and enrollment growth. His 2003 budget also fails to fully fund the current \$4,000 Pell grants, threatening cuts of up to \$400 in aid to disadvantaged college students. Further, in April 2002, the Bush administration proposed raising interest rates by \$1.3 billion on the 700,000 students who consolidate their student loans to cover budget deficits caused by the President's huge tax cut.
- ! **Instead of Fully Funding Education, the President is Proposing Huge Tax Cuts for the Wealthy Few.** The proposed Bush Economic plan would increase the deficit by over \$900 billion over 10 years – threatening key investments, like education, homeland security, Social Security, and Medicare – in order to provide tax cuts for the wealthy few. Further it is expected that the President will renew his call to make the 2001 tax cuts permanent, which would increase the deficit by another \$650 billion further squeezing out key education priorities.

Democrat's Position:

- ! Democrats are working to ensure that all children have the opportunity and tools they need to

succeed. Democrats will make sure that the resources are there to fulfill the promise of the No Child Left Behind Act. Our children, the future of our country, need more and better trained teachers, smaller classes, and better schools for the 21st Century. Further, we will work to make college more affordable for students across the land.



For Immediate Release
Office of the Press Secretary
January 25, 2003

Radio Address of the President to the Nation

 [Audio](#)

THE PRESIDENT: Good morning. This coming Tuesday I will deliver the State of the Union address to Congress and the American people. Our nation faces many great challenges all at once. We will meet all of them with courage and steady purpose.

In 2003, we must work to strengthen our economy; improve access to affordable, high quality health care for all our seniors; encourage compassion at home and abroad; and defend our nation against the threats of a new era. The war on terror is an ongoing priority for our nation. We will take every measure that is necessary to protect the American people from terrorist groups and outlaw regimes. The world depends on America's strength and purpose, and we will meet our responsibilities for peace.

Today, I want to speak to you about a few key domestic priorities. When I address Congress, I will urge them to pass my plan to strengthen our economy and help more Americans find jobs. The tax relief already planned for later in this decade should be made effective this year, including income tax reduction, marriage penalty relief, and an increase in the child tax credit. When Congress acts, I will direct the Treasury to return this money to taxpayers right away, which will provide immediate help to our economy.

We can also lay the foundation for future prosperity by encouraging investment and helping Americans to prepare for the new jobs a growing economy will bring. I will ask Congress to eliminate the unfair double taxation of dividends and raise the deduction limit for small businesses that invest in new machinery and equipment. And to help unemployed workers find a job as soon as possible, I propose new re-employment accounts. These accounts will assist with the cost of finding work, including training and child care and moving expenses, and provide a cash bonus to workers who find a job quickly.

Strengthening and improving Medicare is also a priority for my administration in the coming year. I will urge Congress to join me in keeping our commitment to America's seniors by working to modernize Medicare, and include a prescription drug benefit to help seniors who are squeezed by rising drug prices. As a prosperous nation, we have an obligation to help Americans who are struggling to build better lives for themselves. So I will propose new initiatives to bring the work of faith-based and community groups to the needs of our fellow citizens. All of these priorities will be reflected in the budget I submit to Congress in early February.

As we fund important priorities, however, we must also practice spending discipline in Washington. Spending restraint is important to economic growth and job creation. And it is critical to reducing the deficit caused by war and national emergency and recession. Under my budget, discretionary federal spending will rise by 4 percent, about the same as the increase in family incomes. Government should not grow faster than workers' paychecks. Government should follow the example of American families by setting priorities and staying with them.

In this session of Congress, we must work to make our nation safer, more prosperous and more compassionate. I look forward to working with the Republicans and Democrats in this important

year for America and the world. Thank you for listening.

END

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DEMOCRATIC GOVERNORS' ASSOCIATION

Communications

Monday, January 27, 2003

To: House and Senate Members and other allies

GOVERNOR GARY LOCKE -- DEMOCRATIC RESPONSE TO THE STATE OF THE UNION

Preview Talking Points

The response will focus on the following key messages: (Items in quotes are excerpted directly from the response)

On a war with Iraq...

"We support the President in the course he has followed so far – working with Congress, working with the United Nations, insisting on strong and unfettered inspections. We need allies today in 2003 ..."

To meet the challenges we face abroad we must be strong at home. -- we cannot let the call to war drown out the voice of the American people as they ask for jobs, quality education, affordable healthcare and a clean environment.

On the economy...

"Today, the economy is limping along. Some say it's a recovery, but there is no recovery in our states and cities."

"... this administration's policies will produce deficits of over a trillion dollars over the next decade. These policies have powerful and painful consequences. ... it does too little to stimulate the economy now and does too much to weaken our economic future"

"Democrats have a positive, specific plan to turn our nation around."

"It is rooted in three principles" It must be immediate; it must benefit as many people as possible rather than just a few; and it must be fiscally responsible, so we have the savings to meet the needs of the future.

On homeland security...

One of our most urgent priorities is homeland security. The frontlines in the fight against terror are in our states and communities.

The President must meet his obligations, and keep his promises on homeland security.

Democrats will also

Demand full funding for education

Call for the creation of a Medicare prescription drug benefit for all seniors.

“Resist this administration's ongoing campaign to roll back environmental protections”

“That’s the vision of the Democratic Party — in statehouses, in Congress, and in the homes of millions of Americans”

Talking Points on Governor Locke as the Responder to the State of the union.

America’s governors are the ones on the front lines in dealing with our nation’s challenges, and Governor Locke is one of our party’s most articulate voices.

The challenges faced by Washington state, like many other states, reflect the challenges facing America: promoting economic growth, protecting against terrorism, and providing affordable health care and a good education.

The states are the forefront of the war on terrorism and the challenge to revitalize our economy, so it’s appropriate that we have a governor give the Democratic response

As Chair of the Democratic Governors’ Association, Governor Locke speaks for all 24 Democratic governors voicing their critical concerns and sharing their considerable experience.

Born to immigrants in a public housing project, Locke became the first Chinese-American U.S. governor in 1996.

Locke worked in his father's grocery store, became an Eagle Scout, graduated from Yale University and got a law degree from Boston University.

"My story is the story of American families across the country," said Locke. "It is the story of America truly being the land of opportunity."

As governor, Locke revamped welfare, helped roll back business taxes, promoted rural development and pushed to hire more teachers and reduce class size.